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Chapter 1.4

Limited companies and multinationals

1. Limited companies

- Meaning: business organisations that have a separate legal identity from that of their owners.
- · Main features :
- Limited liabilities: shareholders are legally responsible for the debts of a company according to how many shares they own.
- The business raises capital by selling shares.
- Shareholders receive dividend.
- The shareholders elect directors to run the company.
- Whereas sole traders and partnerships pay income tax, companies pay corporation tax on profits.
- It is necessary to follow a legal producer.

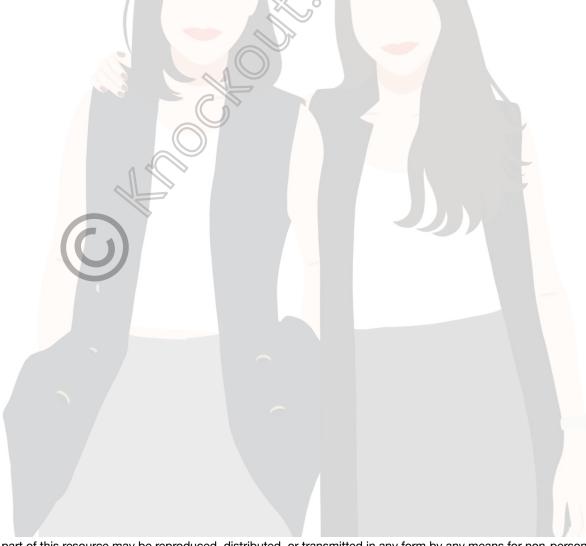
1.1 Private limited companies

- Features of private limited companied
- Shares can only can be transferred "privately" (from one individual to another).
- All shareholders must agree on the transfer and they cannot be advertised for sale.
- They are often family businesses owned by family members or close friends.
- The directors of these firms tend to be shareholders and are involved in the running of the business.
- 1.2 Public limited companies (PLCs): tend to be larger than private limited companies. Their shares can be bought and sold by the public on the stock exchange.
- Going public can be expensive because
- The company needs lawyers to ensure that the prospectus is "legally" correct
- The company must insure against the possibility of some shares remaining unsold, therefore, a
 fee is paid to an underwriter who must buy any unsold shares.
- There are advertising and administrative expenses

1.3 Multinational Companies

<u>Meaning</u>: Larger business with significant production or service operations in at least two different countries.

- · Key features of a multinational include :
- Huge assets (Land, building, plants machinery and money)
- : Multinationals are extremely well-resourced and can often afford to take on large-scale contracts.
- Highly qualified and experienced professional executives and managers
- Powerful advertising and marketing capability
- Highly influential both economically and politically
- Very efficient since they can exploit huge economies of scales
- Ownership and control is centred in the host country



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